

ATTESTATION REPORT
BUDGET-TO-ACTUAL ADMINISTRATIVE COSTS
DAY CARE HOMES / INDEPENDENT CENTERS

SECTION 800

XYZ Child Development, Inc.
For the Period October 1, 19X8 to September 30, 19X9

TABLE OF CONTENTS

Page No:

GENERAL INFORMATION	1
INDEPENDENT ACCOUNTANT'S REPORT	2
STATEMENT OF BUDGET-TO-ACTUAL ADMINISTRATIVE COSTS	3
NOTES	4
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN EXAMINATION OF THE STATEMENT OF BUDGET-TO-ACTUAL ADMINISTRATIVE COSTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING AND ATTESTATION STANDARDS	6-7
INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND FINANCIAL REPORTING IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ATTESTATION STANDARDS MADE AS A PART OF THE EXAMINATION OF THE STATEMENT OF BUDGET-TO-ACTUAL ADMINISTRATIVE COSTS	7-8
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND RECOMMENDATIONS	9-11
STATUS OF PRIOR YEAR FINDINGS	12
MANAGEMENT LETTER	13

XYZ Child Development, Inc.

GENERAL INFORMATION

For the Period October 1, 19X8 to September 30, 19X9

1. Full official name of the agency XYZ Child Development, Inc.
2. Program name and agreement number:

California Department of Education, Child and Adult Care Food Program,
Agreement No.xx-xxxx-x-F/M
3. Type and Description of agency Tax-exempt, Nonprofit
corporation providing educational programs for the care of children outside their homes.
4. Address of agency headquarters1000 N. Main Street
Smalltown, CA 9xxxx
5. Names and address of Executive Director
and name of Chief Executive Officer, Business
Officer, or Accountant

Executive Director Gina Anonymous
2000 S. Child Drive
Smalltown, CA 9xxxx

Business Officer Joe McNice
6. Telephone number(916) 555-1212
7. Period covered by examination July 1, 19X8 through June 30, 19X9
8. Number of days of agency operation 250 days
9. Scheduled hours of operation each day 7:00 a.m to 6:00 p.m

Accountant's Letterhead

Independent Accountant's Report

Board of Directors
XYZ Child Development, Inc.

We have examined the accompanying administrative costs for reimbursement submitted by **XYZ Child Development, Inc.** under the Child and Adult Care Food Program (CACFP) (Sponsor Agreement No. xx-xxxx-x-F/M) as summarized in the Statement of Budget-To-Actual Administrative Costs for the period of October 1, 19X8 through September 30, 19X9. This statement is the responsibility of the management of **XYZ Child Development, Inc.** Our responsibility is to express an opinion on this statement based on our examination.

Our examination was made in accordance with the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and, accordingly, included examining on a test basis, evidence supporting the Statement of Budget-To-Actual Administrative Costs and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Statement of Budget-To-Actual Administrative Costs referred to above presents fairly, in all material respects, the amount of budgeted and actual administrative costs eligible for CACFP reimbursement for the period of October 1, 19X8 through September 30, 19X9.

In accordance with *Government Auditing Standards*, we have also issued our report dated November XX, 19X9, on our consideration of **XYZ Child Development, Inc.'s** internal control over financial reporting and our tests of CACFP compliance with certain provisions of laws, regulations, contracts and grants pertaining to administrative costs.

Bean, Bean & Counter
Certified Public Accountants

November XX, 19X9

XYZ Child Development, Inc.
Child and Adult Care Food Program
Agreement No.: xx-xxxx-x-F/M

Statement of Budget-To-Actual Administrative Costs
For the Period October 1, 19X8 to September 30, 19X9

Period	Reported	Adjusted	Budget Adjustments	Allowed (Actual)
October	\$ 37,926	\$ (3,846)	\$ (6,459)	\$ 27,621
November	43,554	(3,869)	(6,459)	33,226
December	43,574	(5,795)	(6,459)	31,320
January	64,456	(5,918)	(6,459)	53,079
February	32,073	(3,215)	(6,459)	22,399
March	39,961	(3,461)	(6,459)	30,041
April	47,136	(4,538)	(6,459)	36,139
May	42,357	(3,273)	(6,459)	32,625
June	40,845	(3,457)	(6,459)	30,929
July	39,799	(3,681)	(6,459)	29,659
August	51,673	(3,681)	(6,459)	41,909
September	70,665	(3,018)	(5,459)	62,188
Totals:	<u>\$ 554,019</u>	<u>\$ (47,376)</u>	* <u>\$ (77,508)</u>	\$ 430,135
* - Rounding Adjustment				4
State Meal Compensation Funds Retained by Sponsor (0 to 30%)				(40,346)
Other Income				<u>(10,572)</u>
<u>Net Allowable Costs</u>				<u>\$ 379,221</u>

XYZ Child Development, Inc.
NOTES
Agreement No.: xx-xxxx-x-F/M

For the Period October 1, 19X8 to September 30, 19X9

NOTE 1: GENERAL INFORMATION

XYZ Child Development, Inc.(the Agency) was incorporated as a non-profit corporation in 1967 to provide educational programs for the care of children outside their homes. The Agency has been granted tax-exempt status by the Internal Revenue Service under Section 501©(3) and California Franchise Tax Board under Section 23701(d). The Agency is funded by the California Department of Education (CDE). Also, the Agency receives funds from private donations. This report includes an opinion only on the activity of the Agency's administrative budget and actual costs for the CACFP program during the federal fiscal year. The Agency previously submitted a Single Audit issued September XX, 19X9 for its fiscal year ended June 30, 19X9. The source of funding for the CACFP program is the United States Department of Agriculture and CDE.

NOTE 2: ALLOWED ADMINISTRATIVE REIMBURSEMENT

Allowed administrative payments to Day Care Homes and Independent Centers requires NSD's approval of the Agency's administrative budget. The appropriate budget amount is based on the contract period which coincides with the federal fiscal year of October 1 through September 30. The amount of allowed CACFP administrative reimbursement is calculated by determining the lessor of the four administrative reimbursement factors (1) approved administrative budget (2) actual administrative costs less income to the program (3) the appropriate monthly rates per home multiplied by the number of approved operating day care homes in each month, or (4) 30% of the total amount of administrative and food service payments for day care operations. As a result, FNS requires from the Agency a comparison of actual expenses incurred during the period of the approved budget

Accountant's Letterhead

**Report on Compliance and on Internal Control Over Financial Reporting
Based on an Examination of the Statement of Budget-To-Actual Administrative Costs
Performed in Accordance With Government Auditing and Attestation Standards**

Board of Directors
XYZ Child Development, Inc.

We have examined the accompanying administrative costs for reimbursement submitted by **XYZ Child Development, Inc.** under the Child and Adult Care Food Program (CACFP) (Sponsor Agreement No. xx-xxxx-x-F/M) as summarized in the Statement of Budget-To-Actual Administrative Costs for the period of October 1, 19X8 through September 30, 19X9 and have issued our report thereon dated November XX, 19X9. We conducted our examination in accordance with the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and included tests of the agency's claim preparation process and accounting records prescribed by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, dated February 18, 1999, for examinations of this program.

Compliance

As part of obtaining reasonable assurance about whether the **XYZ Child Development, Inc.'s** Statement of Budget-To-Actual Administrative Costs is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of appropriate budgeted amounts and allowable administrative cost reimbursements. However, providing an opinion on compliance with those provisions was not an objective of our examination and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of material noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as items, X9-1.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered **XYZ Child Development, Inc.'s** internal control over financial reporting in order to determine our examination procedures for the purpose of expressing our opinion on the Statement of Budget-To-Actual Administrative Costs and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect **XYZ Child Development, Inc.'s** ability to record, process, summarize and report financial data consistent with the assertions of management in the Statement of Budget-To-Actual Administrative Costs. A reportable condition is described in the accompanying schedule of findings and questioned costs as item, X9-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Statement of Budget-To-Actual Administrative Costs being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting and compliance that we have reported to management of **XYZ Child Development, Inc.** in a separate letter dated November XX, 19X9.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bean, Bean & Counter
Certified Public Accountants

November XX, 19X9

**Independent Accountant's Report on Compliance With Requirements Applicable
to the Federal Program and on Internal Control Over Compliance and
Financial Reporting in Accordance With OMB Circular A-133 and Attestation Standards
Made as a Part of a the Examination of the Statement of Budget-To-Actual Administrative Costs**

Board of Directors
XYZ Child Development, Inc.

Compliance

We have examined management's assertion about **XYZ Child Development, Inc.'s** compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the Child and Adult Care Food Program (CACFP)) (Sponsor Agreement No. xx-xxxx-x-F/M) as summarized in the Statement of Budget-To-Actual Administrative Costs is adequate to meet the criteria established by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, dated February 18, 1999. Compliance with requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of **XYZ Child Development, Inc.'s** management. Our responsibility is to express an opinion on **XYZ Child Development, Inc.'s** compliance based on our examination.

We conducted our examination of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and included tests of the agency's claim preparation process and accounting records prescribed by the *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, issued by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA) for examinations of this program. Those standards and OMB Circular A-133 require that we plan and perform the examination to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the appropriate budget and allowable administrative cost reimbursement amounts occurred. An examination includes testing evidence about **XYZ Child Development, Inc.'s** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of **XYZ Child Development, Inc.'s** compliance with those requirements

In our opinion, **XYZ Child Development, Inc. 's** assertion that it complied with the requirements referred to above that are applicable to its CACFP budget and allowable administrative cost reimbursement for the year ended September 30, 19X9, is fairly stated , in all material respects. However, the results of our examination procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings, and Questioned Costs as item X9-3.

Internal Control Over Compliance

The management of **XYZ Child Development, Inc.** is responsible for establishing and maintaining effective control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our examination, we considered **XYZ Child Development, Inc.'s** internal control over compliance with requirements that could have a direct and material effect on its CACFP budget and allowable administrative cost reimbursement in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect **XYZ Child Development, Inc.'s** ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item X9-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

We have also identified immaterial instances of noncompliance and internal control weaknesses that we have reported to the management of **XYZ Child Development, Inc.** in a separate letter dated November XX, 19X9.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bean, Bean & Counter
Certified Public Accountants

November XX, 19X9

XYZ Child Development, Inc.
Schedule of Findings, Questioned Costs and Recommendations

For the Period October 1, 19X8 to September 30, 19X9

A. Summary of Accountant's Results

I. Statement of Budget-To-Actual Administrative Costs Examination

1. The Independent Accountant's Report on the Statement of Budget-To-Actual Administrative Costs of XYZ Child Development, Inc. expressed an unqualified opinion.
2. Internal Control over Financial Reporting:
 - a. Reportable conditions were disclosed in the examination of the Statement of Budget-To-Actual Administrative Costs.
 - b. One of the reportable conditions, in 2a above, was considered to be a material weakness.
 - c. Non-compliance was disclosed and is material to the Statement of Budget-To-Actual Administrative Costs.

II. Federal Award Examination

The USDA Child and Adult Care Food Program, CFDA number, 10.558, passed-through CDE's Nutrition Services Division is considered a major program as a result of II.3 below.

1. Internal Controls Over Major Programs:
 - a. One material weaknesses was disclosed in the examination of the federal award.
2. Two examination findings are reported in B.II, Findings and Questioned Costs, in accordance with OMB Circular A-133, Section 510(a).
3. XYZ Child Development, Inc. did not qualify as a low-risk auditee under OMB Circular A- 133, section 530.

XYZ Child Development, Inc.
Schedule of Findings, Questioned Costs and Recommendations

For the Period October 1, 19X8 to September 30, 19X9

B. Findings and Questioned Costs:

	<u>Questioned Cost</u>
I. <u>Statement of Budget-To-Actual Administrative Costs Examination</u>	
Reportable Conditions	
Finding X9-1	\$
<u>Condition:</u> Our test of the We believe that this reportable condition is a material weakness. An adjustment of \$ was made to the Statement of Budget-To-Actual Administrative Costs.	
<u>Criteria:</u> USDA regulation, ,	
<u>Cause:</u> Lack of proper	
<u>Effect:</u> \$	
<u>Recommendation:</u> Implement procedures to	
<u>Response:</u> Management	
Finding X9-2	\$
<u>Condition:</u> Our test of ... We do not believe that this reportable condition is a material weakness.	
<u>Criteria:</u> USDA regulation, , states that	
<u>Cause:</u> Lack of proper management oversight.	
<u>Effect:</u> \$	
<u>Recommendation:</u> Implement procedures to	

XYZ Child Development, Inc.
Schedule of Findings, Questioned Costs and Recommendations

For the Period October 1, 19X8 to September 30, 19X9

B. Findings and Questioned Costs (continued):

II. Federal Award Program Examination

Questioned
Cost :

Finding X9-3 Eligibility

\$

Condition: During our review of the eligibility records of the ...

We believe that this condition is a material weakness and a financial adjustment of \$ was necessary.

Criteria: USDA regulation, , states that

Cause: Inadequate

Effect: Population of , or %. This represents \$

Recommendation: Periodic reviews should be made of the center's attendance records to ensure proper eligibility records for the

Response: Management has implemented periodic review procedures for all key staff.

Finding X9-4

\$

Material Weakness

Condition: Our review of the ...

We believe that this condition is a material weakness. No financial adjustment was necessary.

Criteria: USDA regulation, , states that the sponsor

Cause:

Effect:

Recommendation: Implement improved

Response: Management has implemented improved

XYZ Child Development, Inc.
Schedule of Findings, Questioned Costs and Recommendations

For the Period October 1, 19X8 to September 30, 19X9

C. Status of Prior Year Findings:

Questioned
Cost :

I. Statement of Budget-To-Actual Administrative Costs Examination

Reportable Conditions

19X8 - Finding 1:

\$

Condition: Our inspection of the
We do not believe that this reportable condition is a material weakness.

Criteria: USDA regulation, ,

Cause: Lack of

Effect: A total of \$

Recommendation: Implement procedures to monitor

Response: The recommendation was implemented by management in November 19X8. No similar findings were noted in the 19X9 audit.

II. Major Federal Award Programs Examination

Material Weaknesses

19X8 – None

\$ None

XYZ Child Development, Inc.
Management Letter

For the Period October 1, 19X8 to September 30, 19X9

Board of Directors
XYZ Child Development, Inc.

In planning and performing our examination of the administrative costs for reimbursement submitted by **XYZ Child Development, Inc.** under the Child and Adult Care Food Program (CACFP) (Sponsor Agreement No. xx-xxxx-x-F/M) as summarized in the Statement of Budget-To-Actual Administrative costs as of, and for the year ended, September 30, 19X9 , we considered its internal controls and affect on compliance in order to determine our examination procedures for the purpose of expressing our opinion on the aforementioned administrative costs for reimbursement and to provide assurance on its accounting and management controls. However, we noted certain matters involving the internal controls of **XYZ Child Development, Inc.** and its operation that we considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants, and nonmaterial instances of noncompliance under criteria prescribed in the *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, dated February 18, 1999, issued by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA) for examinations of this program. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the internal accounting and management controls, that in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the CACFP budget and allowable administrative costs for reimbursement.

The nonmaterial instances of noncompliance and internal control weaknesses are described as follows:

1.

2.

The information contained in this report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bean, Bean & Counter
Certified Public Accountants

November XX, 19X9

